

Port of Entry: Hidalgo Impact to the Texas Economy, 2015

Texas' location, geography and diverse economy offer unique trade opportunities with other states and countries. Texas has a number of ports of entry, including seaports, inland ports and border crossings, which facilitate the movement of imports and exports. Texas ports of entry contribute to the state and local economies, each in a distinctive way.

The state of Texas accounted for nearly \$650 billion in international trade in 2015. Of Texas' total international trade, \$356 billion or 56.4 percent traveled across the state's border crossings, with Hidalgo's border crossings accounting for 8.4 percent of border trade, or about \$30 billion.¹

Based on the Comptroller's analysis, the net benefit of trade associated with the Hidalgo port of entry contributes an estimated 53,000 net jobs to Texas and a minimum of \$7.6 billion in gross domestic product (GDP) to the Texas economy.² (The Comptroller acknowledges there may be other economic activities directly and indirectly associated with the use of this facility that may not be reflected here.)

The Hidalgo "Land Port"

The border crossings at Hidalgo together form one of 11 land ports along Texas' 1,254-mile-long border with Mexico. Each border crossing facilitates the movement of people and goods between the neighboring countries through commercial, vehicular and pedestrian traffic. The Hidalgo port of entry includes three bridges that connect the U.S. to Mexico: the Pharr-Reynosa International Bridge, McAllen-Hidalgo International Bridge and Anzaldúas International Bridge. Toll revenues at the three bridges exceeded \$29.6 million in 2015.³ While the Hidalgo port of entry does not have a rail crossing at present, economic development teams in and around the Hidalgo area are working to create one.⁴

Crossing Types

Bridges (Owner/Operator)	Vehicles (non-commercial)	Pedestrian (foot traffic)	Commercial (Trucks)	Rail
Pharr-Reynosa International Bridge on the Rise (city of Pharr)	x	x	x	
McAllen-Hidalgo International Bridge (city of McAllen)	x	x	x	
Anzaldúas International Bridge (cities of Hidalgo, McAllen & Mission)	x	x	x	

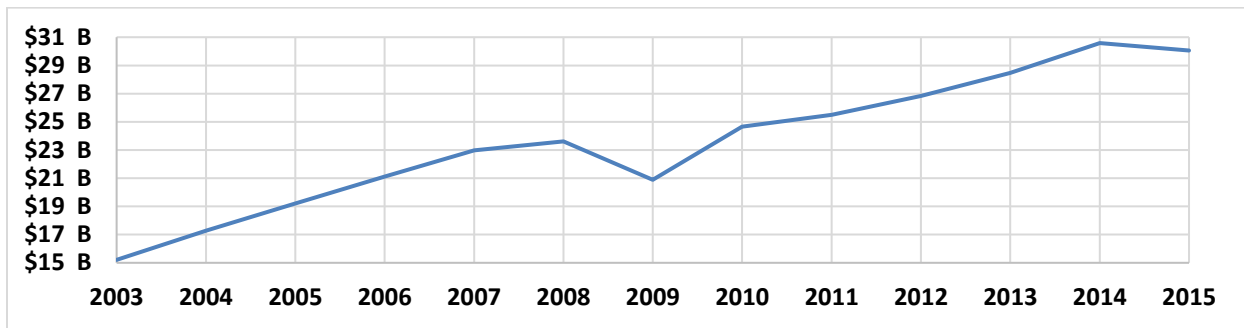
Source: Texas Department of Transportation

Built in 2009, the Anzaldúas Bridge is the nation's first land port of entry on its southern border to be LEED-certified for energy efficiency.⁵ Recently, the city of McAllen partnered with the Mexican government to expand the capabilities of the Anzaldúas Bridge to allow southbound commercial traffic. This project's importance is illustrated by McAllen's investment of \$1.1 million towards improvements on the Mexican side of the bridge, as part of a unique, municipal-led binational agreement.⁶

Economic Data

In total, trade crossing through the port of Hidalgo accounted for \$30 billion in 2015, an increase of 98 percent from 2003 (\$15.2 billion).⁷

Hidalgo Border Crossing (Port), All Trade (All Commodities), 2003-2015



Source: U.S. Census Bureau

- ➔ **Top origination/destination for goods:** Mexico
- ➔ **Top Imports through Freeport:** electronics; machinery; produce
- ➔ **Top Exports through Freeport:** electronics; machinery; petrochemical products

Factories in the nearby Mexican city of Reynosa, called *maquiladoras*, receive raw materials from the U.S. on a duty- and tariff-free basis and return finished goods. Maquiladoras have played a significant role in the growth of the Hidalgo area economy since the implementation of NAFTA in the 1990s.⁸ A 2011 study by the Federal Reserve Bank of Dallas found that a 10 percent increase in maquiladora output equates to a 6.6 percent increase in McAllen's transportation employment.⁹

Hidalgo Border Crossing: Trade Value, 2013-2015

	Overall Trade (\$ billions)			Trade with Mexico (\$ billions)			
	Total Trade	Exports (only)	Imports (only)	Total Trade	Total Trade %	Exports (only)	Imports (only)
2015	\$30.05	\$10.76	\$19.29	\$29.23	97.30%	\$10.75	\$18.48
2014	\$30.58	\$11.40	\$19.19	\$29.64	96.92%	\$11.39	\$18.25
2013	\$28.46	\$10.84	\$17.62	\$27.45	96.45%	\$10.83	\$16.62

Source: U.S. Census Bureau

In addition to the bridges are customs and other operations managed by the federal government to accept entries of merchandise, clear passengers, collect duties and enforce U.S. laws.¹⁰ U.S. Customs and Border Patrol employs more than 3,000 in the Hidalgo area.¹¹ In addition, numerous privately owned businesses, including warehousing, logistics and retail operations, rely on the area's border trade and visitors from Mexico.

Hidalgo Border Crossing Activity, 2010-2015

Northbound						
	2010	2014	2015	Two-Year Total (2014-15)	Change (2014-15)	Change (2010-15)
Trucks	459,331	530,093	546,259	1,076,352	3.05%	18.92%
Vehicles	5,604,124	4,591,124	4,620,074	9,211,198	0.63%	-17.56%
Pedestrians	2,245,341	2,290,469	2,474,962	4,765,431	8.05%	10.23%

Source: Texas Centers for Border Economic and Enterprise Development and Bureau of Transportation Statistics

Nearly 4.7 million pedestrians used Hidalgo’s crossings to enter the U.S. from Mexico in the last two years, or 6,500 per day, and Mexican shoppers account for a meaningful portion of the area’s retail trade.¹² One recent estimate attributed about \$2 billion in Border-area retail sales to Mexican nationals visiting the U.S. to shop. According to Comptroller estimates, this spending has a positive impact on at least 40,000 jobs throughout the state.¹³

Northbound Border Crossings through Hidalgo in 2015

	Commercial Trucks	Personal Vehicles	Pedestrians (foot traffic)
Hidalgo Northbound Crossings	546,259	4,620,074	2,474,962
Other Texas Border Crossings	3,394,317	30,527,300	15,501,794
% of Northbound Texas Border Traffic passing through Hidalgo	13.86%	13.14%	13.77%

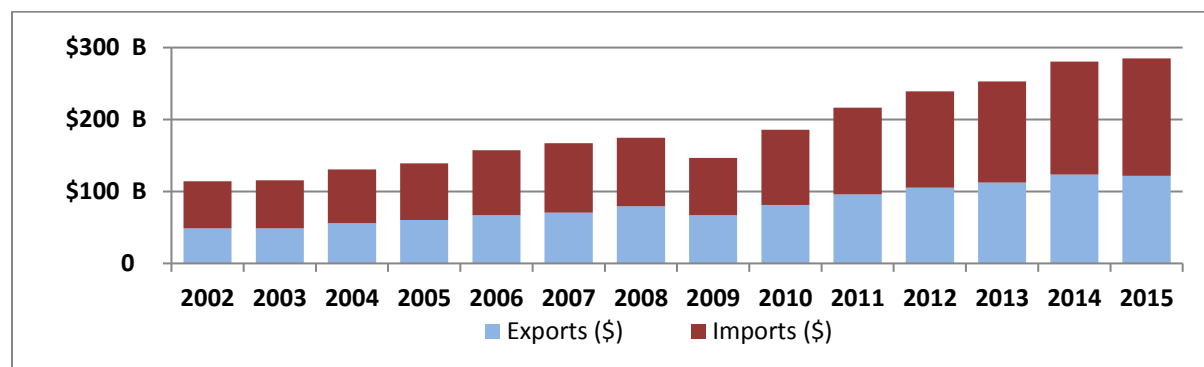
Source: Texas Centers for Border Economic and Enterprise Development

The 2015 completion of a superhighway that connects western Mexico’s produce growers with the Hidalgo port of entry was instrumental in increasing produce imports across the Pharr Bridge.¹⁴ To accommodate this increase in imports, the city of Pharr built the 100-acre Pharr Produce District to provide suppliers and distributors with easy access to cold storage facilities.¹⁵ In 2016, the Pharr Bridge received 32 percent of the produce the U.S. imports from Mexico, and was the nation’s second busiest port of entry for Mexican produce. In all, Texas land ports account for 48 percent of all U.S. produce imports from Mexico, which support about 4,500 jobs.¹⁶

Federal Customs District Growth

The Hidalgo border crossings are part of the larger Laredo Customs District, which includes the area stretching from Del Rio and Eagle to Hidalgo, Pharr and Brownsville. With \$284 billion in trade, the district was nation’s third-largest district by value in 2015, surpassed only by the Los Angeles and New York Customs Districts.¹⁷

Laredo Customs District Total Trade, 2002-2015



Source: U.S. Census Bureau

Texas has 29 official ports of entry that serve as critical gateways to global trade. Each port, whether accessible via air, land or sea, serves a variety of domestic and international economic activity across multiple industries. The high quality of Texas’ ports has a significant impact internationally as well as across the state from its largest cities to the most rural counties. Texas ports play an important role in

the state's transportation network, as each directly contributes to and thus affects the entire transportation system. Texas ports contribute to the overall strength and diversity of the Texas economy, which ranks 10th in GDP when compared to other nations.¹⁸

¹ To access the trade data for each port area, the U.S. Census Bureau's USA Trade Online data tool was used. A log-in is needed (<https://usatrade.census.gov/>). Harmonized System (HS) Port-level Data were used for both export and import data, which combined to determine total trade for each port.

² Comptroller staff applied Texas trade data supplied by the U.S. Census Bureau as an input using the REMI (Regional Economic Models, Inc.) model for Texas and attributed total trade value for the port as a percent of Texas' total trade value. These data were used to generate a weighted estimate of net jobs and GDP associated with trade at the port.

³ City of McAllen, *City of McAllen, Texas: Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2015* (McAllen, Texas, September 2015), p. 43, <https://www.mcallen.net/docs/default-source/finance/cafr/fiscal-year-2015.pdf?sfvrsn=2>; and City of Pharr, *City of Pharr, Texas: Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2015* (Pharr, Texas, September 2015), p. 100, <http://pharr-tx.gov/wp-content/uploads/downloads/2015/03/CAFR-Final-2014-2.pdf>.

⁴ Kristen Mosbrucker, "After Nearly 37 Years, Hidalgo County Railroad Bridge Project Still Rolling Along," *The Monitor* (March 1, 2015), http://www.themonitor.com/news/local/after-nearly-years-hidalgo-county-railroad-bridge-project-still-rolling/article_f4f90212-bfb1-11e4-894f-4b98e7feb5af.html.

⁵ LEED, or Leadership in Energy and Environmental Design, is an internationally recognized green certification system. See Texas Department of Transportation, *Texas-Mexico International Bridges and Border Crossings* (Austin, Texas, 2015), p. 20, <https://ftp.dot.state.tx.us/pub/txdot-info/iro/international-bridges.pdf>.

⁶ City of McAllen Public Information Office, "Southbound Truck Traffic Begins at Anzaldúas Bridge," August 2016, <http://www.mcallen.net/news/item/2016/08/19/southbound-truck-traffic-at-anzalduas-bridge>.

⁷ Texas Center for Border Economic and Enterprise Development, "I.S. Exports & Imports Trade Activity," http://texascenter.tamtu.edu/texcen_services/trade_activity.asp.

⁸ Texas Department of Transportation, *El Paso Regional Ports of Entry Operations Plan: Project Summary Report June 2011*, p. 4-4, http://www.elpasompo.org/POE/POEplanJune11/POEProjSumVol_I.pdf.

⁹ Jesus Cañas, "The Impact of Maquiladoras on U.S. Border Cities," *Federal Reserve Bank of Dallas* (May 2011), p. 28, <https://www.dallasfed.org/~media/documents/research/papers/2011/wp1107.pdf>.

¹⁰ U.S. Customs and Border Patrol, "Laredo Field Operations Summary," p. 1.

¹¹ Email communication from Leticia Reyes, director of Business Development and Public Affairs, Edinburg Economic Development Corporation, January 12, 2017.

¹² Texas Center for Border Economic and Enterprise Development, "I.S. Exports & Imports Trade Activity"; and Thomas M. Fullerton & Adam G. Walke, "Border Zone Mass Transit Demand in Brownsville and Laredo," *Journal of the Transportation Research Forum*, Vol. 51, No. 2, pp. 43-59.

¹³ Comptroller staff applied the \$2 billion minimum retail sales attributed to Mexican nationals as an input using the REMI model for Texas to generate an estimate of contributions to state-level employment.

¹⁴ Jordan Okumura, "Mazatlan-Matamoros Super Highway to Ramp up Fresh Produce Entries in Pharr, Texas," *And Now U Know* (January 17, 2014), <http://www.andnowuknow.com/quick-dish/mazatlan-matamoros-super-highway-ramp-fresh-produce-entries-pharr-texas/jordan-okumura#.WGUXCtIzXnM/>.

¹⁵ Interview with Tony Sandoval, assistant director of Pharr Economic Development Corporation, January 10, 2017.

¹⁶ Data table from the Texas International Produce Association based on research by Luis Ribera at the Center for North American Studies at Texas A&M University; and Texas A&M University, Center for North American Studies, "Economic Impacts of Increased U.S. Imports of Fresh Produce from Mexico by 2023," by Flynn Adcock, Luis Ribera and Daniel Hanselka, February 2016, p. 4, <http://cnas.tamtu.edu/Index/TIPA%20Mexican%20FFV%20Imports%20through%20US%20Land%20Borders%202023.pdf>.

¹⁷ WorldCity Inc., "Laredo," <https://www.ustradenumbers.com/dashboard/customs-districts/laredo-overview/>.

¹⁸ The World Bank, "GDP Ranking," <http://data.worldbank.org/data-catalog/GDP-ranking-table>; and U.S. Bureau of Economic Analysis, "Gross Domestic Product Second Quarter of 2016 (Second Estimate)," <https://blog.bea.gov/2016/08/26/gross-domestic-product-second-quarter-of-2016-second-estimate/>.